

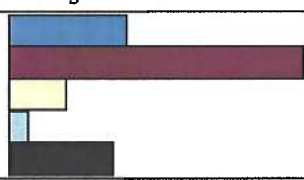
Committee on Ways and Means

Twin Deficits Decline: Budget

Budget deficit improves on surging tax receipts and strong growth

- Tax receipts have surged 15 percent thus far in FY2005 as more Americans are working than ever.
- Real GDP growth has averaged 4.4 percent since tax relief was passed in May 2003.
- 1st quarter real GDP grew at 3.8 percent.

Tax receipts surge on strong economic growth

Source of Federal Revenue	Amount received through June, in Billions (\$)		Percentage change	
	FY2004	FY2005		
Individual Income	596	694	16.4%	
Corporate Income	140	198	41.4%	
Social Insurance	556	601	8.1%	
Other	108	111	2.8%	
Total	1,400	1,604	14.6%	

Sources: Treasury Department, New York Times

- The surge in tax receipts has caused the Office of Management and Budget to increase their expected receipts forecast for FY2005 by \$87 billion and lower their projection for the deficit to \$333 billion, or 2.7 percent of GDP.
- OMB now projects that the deficit will decline to 1.1 percent of GDP by 2008.

“With robust growth in revenues in May and June, CBO now expects that the 2005 deficit will be significantly less than \$350 billion, perhaps below \$325 billion.”

-CBO Monthly Budget Review, July 7, 2005

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Twin Deficits Decline: Trade

Trade deficit improves on strong export growth

- The May trade deficit shrank 2.7 percent to \$55.4 billion.
- Since January, the trade deficit is down 4.7 percent as export growth outpaced import growth, 4.2 percent to 1 percent respectively.
- Exports grew for the third consecutive month, and are 11 percent higher than in May 2004.
- Export growth has been more than twice the rate of GDP growth over the last year.

Exports boom continues

